



## **STAFF REPORT**

---

### **DISCUSSION AND DIRECTION CONCERNING RECENT SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA) AND BROWNING-FERRIS INDUSTRIES WASTE SYSTEMS OF NORTH AMERICA, INC., DIVISION OF ALLIED WASTE INDUSTRIES, INC. (BFI) ACTIVITIES**

Honorable Mayor and Council Members:

#### **Summary**

This item provides an update and summary of recent solid waste management activities conducted by the South Bayside Waste Management Authority (SBWMA), BFI, and/or City staff. Staff is seeking Council direction specifically on the SBWMA Board staffing structure item.

#### **Background**

The City provides solid waste management services to residents and commercial customers within Belmont. These services encompass the programs and activities to collect, process, divert for recycling, and/or dispose of solid waste as required by state law. The City of Belmont contracts with BFI for garbage and recycling collection services.

The City joined with eleven other southern San Mateo agencies to form the South Bayside Waste Management Authority (SBWMA) for waste processing and recycling compliance. SBWMA is directed by a Board composed of a representative from each member agency's staff. SBWMA processes garbage and recyclables at its transfer station and recyclery in San Carlos. It contracts with BFI to operate these facilities and on April 6, 2005 extended BFI's operating agreement to December 31, 2010.

On April 6, 2005, SBWMA approved entering a 15-year agreement with BFI for disposal at the Ox Mountain Landfill. This agreement provides reduced costs and cash payment, but it will not become effective until all twelve member agencies extend their collection agreements.

On April 26, 2005, the City Council extended the term of BFI's collection contract to December 31, 2010 and approved a 14 percent rate increase. Council requested that BFI and staff work together to develop written explanation for Belmont customers explaining the need for the rate

increase and informing them that they can reduce their costs by reducing the size of their garbage containers.

## **Discussion**

The following seven items provide response to Council requests or reports on other recent actions of the SBWMA and BFI.

### **1. Customer Notification of Rate Increase**

At the April 26, 2005 meeting, Council asked BFI to provide an explanation to the customers for the rate increase. At the time of this writing, BFI is drafting a letter for the City's review. The letter for residential customers will also invite them to contact BFI customer service if they want to change their service levels to reduce costs. BFI planned to send the letters on May 24. Staff will confirm if this schedule was met at the Council meeting.

Also at the April 26, 2005 Council meeting, staff told Council that BFI would process the rate increase in time to be effective April 1, 2005. BFI later explained to staff that they did not have sufficient time to complete the informational letter and process the billing changes before the bills were due at the end of April. BFI will add the one month adjustment as a line item to commercial bills in its end of May billing. This will coincide with BFI's informational letter. BFI bills residential customers quarterly and so will not send out the next bill until the end of July. BFI will include three months of retroactive increase in this bill. The impact of this retroactive billing will be offset by BFI's switch to a staggered billing cycle as described below.

BFI is planning billing enhancements that will make it easier for customers to understand services they are billed for. Beginning in December 2005, Belmont residential and commercial bills will list the service levels in plain English. The bills currently list a rate code. BFI's letter explaining this change is Attachment A.

### **2. BFI is Instituting Staggered Billing for Residential Customers**

BFI's practice has been to bill all SBWMA residential customers quarterly at the end of the first month of the quarter. Quarters have been based on the calendar year, but BFI is planning to split the customers into three groups and will bill each group in a different month. This is intended to smooth out the demand on customer services for billing questions. Belmont will be placed in Group 3 with quarterly bills sent in March, June, September, and December. To accomplish this switch, BFI's next billing will only be for two months (July and August). This two-month bill will include a retroactive billing of the 14% rate difference for the previous quarter, but will still be slightly lower than the previous three-month bill. BFI will then bill residential customers two months later for the next quarter. BFI's letter explaining this change is Attachment B.

### 3. Extending Rate Structure to Smaller Containers

Council asked staff to work with BFI to create a fee structure for small containers to give customers more options to reduce their costs. Based on Belmont's current rate for the lowest volume discharges of \$0.502 per gallon, the monthly cost for a 15-gallon can is \$7.52 and the monthly cost for a 10-gallon can is \$5.02. Staff called local hardware stores and found that 20 gallons is the smallest widely available container, but Orchard Supply Hardware in San Carlos says it has metal 10-gallon containers for outdoor use. Staff has confirmed with BFI that it will notify customers that they will establish service for small containers if requested.

### 4. Status of Contract Extensions and Disposal Agreement Approvals

In Fall 2004, BFI offered the SBWMA and its member agencies the following proposal:

1. BFI asked SBWMA to extend the transfer station operating agreement four years to December 31, 2010.
2. BFI asked each member agency to extend its franchise collection agreement four years to December 31, 2010.

In exchange, BFI would enter a 15-year agreement with SBWMA for disposal at Ox Mountain landfill at "most favored client" rates \$11.49 per ton lower than the \$42.56 per ton rate SBWMA has been paying. BFI would also make \$11.6 million cash payments to SBWMA over a period of three years beginning January 1, 2005. No agreements are effective until all agreements have been executed.

On April 6, 2005, SBWMA approved extension of the transfer station operating agreement and the disposal agreement. On April 26, 2005, Belmont approved extension of its franchise collection agreement extension. At the time of this writing, over half of the member agencies have also approved this extension and none have rejected it. The last scheduled agency approval is May 17, 2005. Staff will provide updated information about the status of contract extension approvals at the Council meeting.

### 5. Allocation of Disposal Discount

On April 28, 2005, the SBWMA Board heard staff recommendations for allocating the disposal rate reduction (described in item 4 above) to the ratepayers. After much discussion, SBWMA requested further information and continued the item to its May 26, 2005 meeting.

SBWMA staff had prepared six alternatives that considered various adjustments to disposal rates based on waste types (refuse, yard trimmings, food and organics, construction and demolition, and aggregates) and customer types (SBWMA franchise hauler, non-franchised haulers, and general self-haul public). The objective of most of the alternatives was to apportion the discount

in a manner that would correct existing price/cost discrepancies and/or encourage recycling. Of concern to the County was that its residents in the unincorporated and non-franchised SBWMA service areas were excluded from all discount alternatives. The County believes that these residents are represented by SBWMA and should receive equal treatment.

The cost impact to City of Belmont from the six alternatives ranges from a total solid waste management cost reduction of 5.1% to 6.8% per year. This anticipated reduction was factored into the balancing account projections presented to Council last month. Belmont's representative favors Alternative 2, which yields the City the greatest discount. This alternative reduces garbage disposal rates \$9.66 per ton and yard waste processing rates \$22.56 per ton. The rationale for the disproportionate reduction of yard waste is that it is composted which is less expensive than landfill disposal and this rate structure encourages its recycling. It would be equitable to amend this alternative to include the non-franchise County residents in the SBWMA service area that receive collection services from BFI. The SBWMA staff report on the alternatives is Attachment C.

#### 6. Allocation of \$11.6 Million Cash Payment

On April 28, 2005, SBWMA voted to distribute the \$11.6 million cash payment from the new disposal agreement to the member agencies in proportion to each agency's 2004 disposal tonnage. This action anticipated that the disposal agreement will be completed, but as noted in item 4 above, this will not happen until all member agencies approve their franchise collection agreement extensions.

In accordance with the terms of the disposal agreement, the cash payment is to be made quarterly over twelve quarters. Belmont accounted for 4.8 percent of SBWMA's total disposed tonnage last year and so will receive a total of \$552,144 according to the following schedule.

Year	Payment	% Annual Revenue Requirement
2005	\$142,796	4.0
2006	\$190,395	5.3
2007	\$190,395	5.3
2008	\$28,559	0.8

The percent annual revenue column shows the amount of the City's annual solid waste management costs that could be funded by these payments. SBWMA did not decide or discuss how the money will be transmitted to each agency. The presumption is that it will be credited to each agency's balancing account managed by SBWMA where it will be used to pay ongoing costs. This revenue was not included in the balancing account projections presented to Council last month. Thus, it is likely that the next rate increase will not need to be as large as previously anticipated.

## 7. SBWMA Staffing Structure Committee

A year ago, SBWMA commissioned a staffing study from Rahn Becker Municipal Consulting to evaluate its existing administrative positions and staff support and to make recommendations for improvement. The existing organization consists of a Board of twelve voting members composed of one staff member from each equity partner/member agency. The SBWMA JPA calls for these representatives to be a City Manager, Finance Director, or Public Works Director, or a designee of any of these personnel. The JPA designates the San Carlos representative (City Manager) as Chair of the Board. Neither the Chair nor other Board members are compensated by SBWMA for their service. Finance is provided by the City of San Carlos (Finance Director), which is compensated by SBWMA. Robert Lanzone of Aaronson, Dickenson, and Lanzone provides legal counsel. Other positions include administrative and technical staff employed through contracts with the County and with the City of San Carlos and consultants employed through Hilton, Farnkopf & Hobson for rate analysis and ESA for transfer station operations. Altogether, these “staff” positions are roughly equivalent to 5.5 full-time positions. In addition, SBWMA funds various positions at BFI such as Community Recycling Coordinators and transfer station gate personnel, which might be more effective if transferred to SBWMA. Finally, SBWMA uses additional consultant contracts for specific on-going projects such as public outreach and production of the quarterly newsletter.

Rahn Becker presented his report to SBWMA in November 2004. He found that:

- The complexity and level of effort needed for SBWMA management and administrative duties has grown substantially since the JPA was formed and are now beyond the abilities of the current staff.
- The current organization relies on staff supplied by multiple employers, which is cumbersome and inefficient.

Mr. Becker recommended that:

- SBWMA establish a full-time Executive Director position, answering to the Board, to assume responsibility for SBWMA staff management and administrative duties.
- SBWMA transfer its staff to SBWMA employment and have them report to the Executive Director.

SBWMA formed an ad hoc staffing structure committee to review these findings and make recommendations to the Board. Belmont’s representative is on this committee. The committee has reached the following conclusions, completed the following activities, and raised the following issues for further discussion:

- SBWMA should establish the Executive Director position. The committee has completed a job description and hired Jennifer Bowers through Regional Government

Services (RGS) to procure an Executive Recruiter to begin the search. The employer of record will be RGS for the first year. One of the first duties of the Executive Director will be to evaluate and recommend a permanent employer for all SBWMA staff.

- SBWMA should create a Technical Advisory Committee composed of staff from each agency with finance, engineering, and/or environmental regulatory compliance expertise to meet regularly to act on routine technical or programmatic matters. These include items such as approving equipment purchases and administering compliance work plans.
- SBWMA should retain a Board, but limit its duties to policy decisions. Such a reconfigured Board would meet infrequently and only as necessary to address items such as setting rates for services, instituting new programs, approving agreements, and amending the JPA.

The committee has not agreed on the composition of this “Policy” Board. A few members say their Councils want the Board to be composed of elected officials. The majority of other members say that their Councils expect their staff to handle SBWMA activities, but expect their staff to report important items to the Council and bring jurisdictional items such as rate increases to the Council for approval. The committee does agree that if SBWMA continues with member agency staff on its Board, these staff should be drawn from senior executive/administrative positions (city managers, finance directors, or public works directors) without allowance for lower level staff designees.

At this time, Belmont’s staff representative to SBWMA is seeking Council’s direction on its preference for the composition of the Board: elected officials or senior staff. The committee will likely resolve this issue at its May 26 meeting so that it can make a recommendation to the SBWMA Board. Ultimately, the existing SBWMA Board will decide the issue.

**Fiscal Impact**

There is no fiscal impact to Belmont's budget from any of the actions described above.

**Public Contact**

This item title was posted with the Council agenda. BFI was notified of the report.

**Recommendation**

It is recommended that Council provide staff direction on its preference for the composition of the Board and on any other items under discussion by SBWMA.

**Alternatives**

1. Take no action.
2. Return to staff for further information.

**Attachments**

- A. BFI letter - "2005 Billing Enhancements" April 4, 2005
- B. BFI letter - "New Staggered Billing Schedule" March 17, 2005.
- C. SBWMA staff report – "Transfer Station Rate Alternative Scenarios" April 21, 2005

Respectfully submitted,

---

Kathleen E. Phalen, P.E.  
City Engineer

---

Raymond E. Davis, III, P.E., PTOE  
Director of Public Works

---

Daniel Rich  
Interim City Manager